

SWM Committee Executive Summary

This Executive Summary provides an overview of the Senate Committee on Ways and Means fiscal year 2011 budget proposal.

As the state enters the next fiscal year, we continue to face the effects of an unprecedented global recession. While state revenues have begun to rebound from the effects of the recession, painful cuts and other tough decisions continue to be necessary. The legislature and the administration will continue to work together to meet these challenges and position the state for economic recovery.

In order to balance the fiscal year 2011 budget, the Senate Committee on Ways and Means recommends using a combination of spending reductions and federal recovery act funds. Unlike the past two years, however, the Committee does not use any money from the state's Stabilization Fund to close the budget gap. The Committee also upholds its commitment to not use any new taxes as a mechanism for balancing this budget. It is more important now than ever that we refrain from further burdening taxpayers who are already struggling to make ends meet.

The Stabilization Fund has been an essential element of our response to declining revenues and increasing need over the past two years. As the balance of that fund decreases, so too does our ability to respond to unexpected fiscal events and the loss of federal stimulus funding in fiscal year 2012. For these reasons, it is important to balance this budget without further use of the Stabilization Fund.

The Committee's budget recommendations reflect the difficult fiscal climate, but they also reflect the Senate's continuing commitment to the core mission of government and evolving reforms to strengthen that mission, best exemplified by the elimination of earmarks for the second straight year. In addition, this budget prudently reduces funding for 332 line items and level funds 169 items.

Spending Reductions in Fiscal Year 2011

The Senate Committee on Ways and Means reduces spending by more than \$750 million from the level required to maintain services in fiscal year 2011. These reductions were made with the goal of maintaining critical state support across all levels of government, while recognizing the pain these reductions will cause for many programs and many people who rely on these services.

Most notably, the fiscal year 2011 budget includes \$160 million in reductions for local aid to cities and towns. These reductions, made following an agreement with the House Committee on Ways and Means, were done so that no community received a reduction in state aid of more than 4 percent. In the case of K-12 public education, reductions to state aid were also limited to 4 percent and structured so that all communities will reach their foundation budget in the coming school year.

The state's commitment to K-12 public education has been ever-present since Education Reform was enacted in 1993. Over the past two years, K-12 education aid has been held harmless in spite of billion dollar budget deficits and declining tax revenues. Unfortunately, as we enter the third year of this recession, it is no longer possible to maintain the same level of public education aid as other areas of government continue to absorb significant cuts. As with the state's previous recession, which began in fiscal year 2002, reductions in school aid have become necessary as we approach the recession's third year. In fiscal year 2004, school districts experienced cuts of up to 20 percent; in fiscal 2011, the ways and means committees maintain our commitment to cap cuts at 4 percent.

The Senate Commitment to Reform

In the current legislative session, the Senate has passed major reforms in the areas of economic development, education, crime and corrections and transportation. These reforms are the basis of the Committee's recommendations for the fiscal year 2011 budget.

Transportation

Since the Senate's Transportation Reform bill was enacted in November of 2009, we have begun to see significant savings and improvements to the transportation infrastructure. The Committee continues to work on these reforms by dedicating revenue from the state sales tax to fund the MBTA, regional transportation authorities and MassDot. The Committee includes \$375 million for these entities, providing a more stable, equitable and transparent funding system to protect these important aspects of our transportation system.

Economic Development Reform

In March of this year, the Senate passed a major overhaul of the state's economic development policies. The legislation will streamline services for businesses in Massachusetts and those looking to locate here by consolidating agencies and other state entities which provide resources and expertise to Massachusetts businesses. In addition, the bill sets forth a more coordinated approach to promoting regional economic development by merging organizations charged with marketing the state nationally and internationally.

The Senate Ways and Means budget provides the next step for implementing these economic development reforms by including funding for the new Massachusetts Marketing Partnership, which coordinates how the state promotes trade, travel, tourism and entertainment. The budget also consolidates all of the business development services within the Massachusetts Office of Business Development. Previously, these services were provided through a number of different departments, lacking a centralized contact point.

In addition, the Committee provides funding for twelve regional economic development entities covering all areas of the state. As regional points of entry for business, the entities will work

closely with the Massachusetts Office of Business Development to ensure that small and large businesses across the state have access to resources.

Crime and Corrections Reform

In November of 2009, the Senate passed legislation reforming criminal sentencing laws and Criminal Offender Record Information (CORI) systems. This legislation will save money and improve public safety by establishing standard parole eligibility criteria for drug offenses. The bill also improves the accuracy and ease of access for criminal record information for potential employees. The change will allow employers to make more informed hiring decisions, while at the same time ensuring that former offenders receive a fair opportunity to participate in the workforce.

The policies proposed in the crime bill generate a total of \$13 million in savings for the Commonwealth; these savings are captured in the Committee's budget. Of these savings, \$6 million are achieved by moving non-violent offenders into court ordered or post-release supervision. The additional \$7 million in state revenue is realized by allowing more businesses to request CORI information directly from the Criminal History Systems Board.

Education Reform

This session marks the first time since 1993 that the legislature has taken up comprehensive education reform legislation. In November of 2009, the Senate passed an education reform bill that fundamentally changes how we turnaround underperforming schools and districts. Signed into law by the Governor in January of this year, this second phase of education reform provides schools, districts and the state with the tools necessary to ensure that all children in the state are afforded a quality education.

The Committee recommendations protect programs integral to education reform. The budget maintains funding for academic support services for struggling students, targeted interventions for underperforming schools and professional development programs for teachers educating students with English language difficulties. These three programs, funded at approximately \$17 million, in conjunction with federal aid, will provide resources to meet the goals of education reform.

Reforms in the Committee Budget

In addition to the legislative reforms accomplished by the Senate and incorporated in the Committee's budget, these recommendations also include new programs and initiatives to improve the way our state government works.

Workforce and Job Creation

In developing its fiscal year 2011 budget recommendations, the Committee has prioritized job creation and workforce training programs. These programs are offered through different agencies and target a wide range of populations, but share the same goals of helping unemployed workers reenter the job market and advancing the careers of the already employed.

The Committee budget provides \$5.5 million for One Stop Career Centers, located throughout the state, to help each of the regional economies develop the workforce necessary for local industries. In addition, the budget provides \$15 million for Workforce Training grants. This funding level, in addition to \$9.5 million in supplemental workforce training funds included in the May supplemental budget, will make available \$24.5 million over the course of the next year to allow employers to train their workers to meet the needs of an ever changing marketplace and keep their companies competitive.

This budget also focuses on programs that help the state's young people move from the classroom to the workplace. The Committee provides increased funding for YouthBuild and internship programs, which help guide high school students to a career path. The Committee budget also maintains \$4 million for summer jobs for at-risk youth, a program essential for giving many kids in tough circumstances a chance to develop their professional skills and earn money.

Massachusetts & National Health Reform

To support the ongoing success of Massachusetts health care reform, the Committee includes \$60 million for the Commonwealth Care Bridge program and allows new enrollment for Aliens with Special Status, legal immigrants who have resided in the U.S. for less than five years.

This budget also includes new health care initiatives to reduce cost and improve patient outcomes. The Committee provides \$20 million to providers through the Essential Community Provider Trust Fund to encourage innovation in community systems of care and assist financially distressed acute care hospitals, community health centers and primary care clinicians. The Committee also includes \$2.5 million to support ongoing health care reform education through the enrollment and outreach grants to be funded through the Commonwealth Health Insurance Connector Authority.

In addition to implementing a number of savings proposals in the MassHealth program, the Committee budget includes two initiatives designed to achieve cost-savings through improved management of chronic diseases. Specifically, the Committee budget requires the Executive Office of Health and Human Services to implement a pilot program utilizing global or bundled payments to better manage pediatric asthma in community-based settings. Additionally, the Committee budget directs MassHealth to implement a chronic disease management program in

the Primary Care Clinician plan to better manage such chronic conditions as adult asthma, diabetes and heart disease, among others.

Recognizing the Department of Public Health's integral role in health care cost containment, the Committee also includes funding for the Primary Care Center and Loan Forgiveness Program and the Academic Detailing program, which will support the primary care workforce in Massachusetts.

Health and Human Services

For fiscal year 2011, the Committee creates the Commonwealth Substance Abuse Treatment and Prevention Fund from the proceeds of the sales tax on alcohol. Money from this fund will support essential substance abuse treatment and prevention programs in public health, corrections, parole, and other areas of state government. The Committee has dedicated new resources for effective substance abuse treatment, specifically the epidemic of opiate addiction.

Consistent with the goal of controlling cost and providing better care, the Committee creates the Massachusetts Immunization Registry to track the administration of vaccines to the state's young residents, saving the Commonwealth and its private insurance system significant costs by reducing duplications and missed doses.

The Committee continues to support the reform and efficiencies created by the Department of Children and Families by funding lead agencies at \$10.9 million. The Committee endorses the Department's commitment to coordinating care for children and families through lead agencies and supports the significant accomplishments managed through the agencies, including the dramatic reduction of "stuck kids" throughout the Commonwealth.

Higher Education

The Committee adopts a major reform to the funding mechanism of higher education in the Commonwealth by supporting tuition retention for out-of-state students. Additionally, the Committee provides the option to all public institutions of higher education to retain in-state tuition for the 2011-2012 school year. These changes will allow all state colleges and universities to better predict their funding and manage their finances.

To address the capital and maintenance issues these institutions face, the Committee includes an outside section allowing state and community colleges to borrow funding from HEFA or MSCBA to assist in capital projects authorized in the Higher Education Bond Bill of 2008.

Transportation

In addition, the Committee's recommendations include language directing MassDot to work with other New England states to develop a high-speed rail plan that is consistent with federal passenger rail initiatives. Developing such a plan is a first step towards an integrated regional

rail system, providing our workforce with more convenient and efficient transportation options and strengthening the New England economy.

Public Safety and the Judiciary

The Committee budget recommendations recognize that in order for the state's judicial and public safety infrastructure to adapt to funding reductions, it must be given the ability to coordinate services and control costs.

In an effort to control the ever-increasing costs for private counsel services, funding has been added for 105 new public defenders to the Committee for Public Counsel Services, decreasing the state's reliance on private defenders and creating more than \$1.8 million in savings in fiscal year 2011.

As evidenced by the Crime Bill reforms highlighted earlier, the Senate Ways and Means budget focuses on improving efficiencies within the criminal justice and corrections systems.

Additional reforms in the budget include a streamlined procurement process for all state entities that purchase drug testing kits and electronic monitoring devices and a commission to develop a standardized risk assessment tool for analysis of individuals under court-ordered or post-release supervision.

The Committee's budget also changes the funding mechanism of the Massachusetts Alcohol and Substance Abuse Center, affirming the center as an essential state facility by creating its own line item and funding source through the Commonwealth Substance Abuse Treatment and Prevention Fund.

Housing

In order to preserve the resources allocated to the family shelter system, the Committee has strengthened existing eligibility criteria and service provisions by codifying elements of the line item language in the General Laws. By including this language in statute, the Committee has streamlined and clarified service delivery to assist in the midst of declining resources.

The Committee provides targeted increases to housing programs in the state to reduce the number of families using emergency shelters, provide flexible options for housing supports and renovate existing housing stock that are in need of repair. The Committee dedicates \$3.5 million in new funding for flexible housing options to encourage housing first over shelter placement.

In addition, the Committee provides local housing authorities with additional funding to repair units that are vacant due to maintenance concerns. This combined approach to housing will increase state and local subsidized housing stock and strengthen the options available to people and families in need of temporary assistance to stay in their homes.

Energy

The Committee budget creates a new energy efficiency and purchasing system that will save the Commonwealth money and reduce the state's energy needs. The Division of Energy Solutions, a new division within the state's Clean Energy Center, will be responsible for procuring energy in state agencies. In addition, the division will operate an energy management program incentivizing all areas of state government to generate savings through conservation. Finally, the division is charged with recommending energy related capital investments that will create jobs, while at the same time making the state a smarter consumer of energy.